

HOUSING AUTHORITY OF SKAGIT COUNTY
Skagit County, Washington
October 1, 1994 Through September 30, 1995

Schedule Of Findings

1. The Housing Authority Should Improve Its Accounting For Fixed Assets

Our audit of the housing authority's fixed asset system revealed the following weaknesses:

- a. The housing authority has not established a fixed asset policy.
- b. The housing authority has not performed a comprehensive physical inventory of fixed assets for at least three years.
- c. We could not locate all assets recorded in the housing authority's fixed asset listings. While locating assets we observed other assets which were not properly tagged or otherwise identified as housing authority property.
- d. The housing authority has not performed reconciliations between its fixed asset listing, the general ledger and those physical inventories which were performed.

The *Revised Code of Washington* (RCW) 43.09.200 states:

The accounts shall show the receipt, use and disposition of all public property

The American Institute of Certified Public Accountants (AICPA) in its *Codification of Statements on Auditing Standards*, AU Section 319, Appendix D, states in part:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize, and report financial data that is consistent with management's assertion embodied in the financial statements, some of the following objectives management may wish to consider include the following:

Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability of assets.

The recorded accountability of assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. [Emphasis ours.]

During the previous audit, we informed housing authority officials of the requirements in a

management letter. According to the housing authority, adequate controls over fixed assets have not been achieved due to the assignment of insufficient resources to fixed asset accounting.

Because fixed assets are not properly accounted for, there is an increased risk for errors and/or irregularities to occur and not be detected in a timely manner, if at all. In addition, accounting records cannot be relied upon to determine the actual cost of fixed assets or to support the preparation of the financial statements.

We recommend the housing authority improve its accounting for fixed assets as follows:

- a. The housing authority should adopt a fixed asset policy.
- b. The housing authority should perform a comprehensive physical inventory at least once every two years.
- c. The housing authority should ensure all assets are tagged and included on the fixed asset listing.
- d. The housing authority should perform reconciliations between its fixed asset listing, the general ledger, and physical inventories to ensure all assets are properly accounted for.

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Schedule Of Federal Findings

1. The Housing Authority Should Perform And Document Certification Of Rent Reasonableness

During our testing of eligibility for the Housing and Urban Development (HUD) Section 8 Certificate Program, we noted the housing authority was unable to locate the certification of rent reasonableness for all tenants. The housing authority is required to retain all supporting documentation for these certifications for a three-year period. Without these certificates, we are unable to test for rent reasonableness in accordance with 24 CFR 882.106(b).

24 CFR 882.106(b) states:

The PHA shall certify for each unit for which it approves a lease that the Contract Rent for such units is:

- i. Reasonable in relation to rents currently being charged for comparable units in the private unassisted market, taking into account the location, size, type, quality, amenities, facilities and management and maintenance service of such unit, and
- ii. Not in excess of rents currently being charged by the Owner for comparable unassisted units.

24 CFR 85.42(b)(1) states:

Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

According to the housing authority, the certification was either not completed due to employee oversight or completed but not properly documented in the tenant file.

Because the certificates could not be located, we were not able to determine if the housing authority verified the reasonableness of rent. If the rent is not determined to be reasonable, a questioned cost could result which would be equal to the difference of actual rent to "reasonable rent."

This condition is a material weakness.

We recommend the housing authority properly perform, document, and retain all required

rent certifications.